

News Release

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8:30 am Eastern Time

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What is the National Activity Index?

The index is a weighted average of 85 indicators of national economic activity.

The indicators are drawn from four broad categories of data: 1) production and income; 2) employment, unemployment, and hours; 3) personal consumption and housing; and 4) sales, orders, and inventories.

A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values indicate below-average growth; and positive values indicate above-average growth.

Why are there two index values?

Each month, we provide a monthly index number, which reflects economic activity in the latest month for which we have data, and a three-month moving average. Month-to-month movements can be volatile, so the index's three-month moving average, the CFNAI-MA3, provides a more consistent picture of national economic growth.

What do the numbers mean?

When the CFNAI-MA3 value moves below -0.70 following a period of economic expansion, there is an increasing likelihood that a recession has begun. Conversely, when the CFNAI-MA3 value moves above -0.70 following a period of economic contraction, there is an increasing likelihood that a recession has ended.

When the CFNAI-MA3 value moves above $+0.70$ more than two years into an economic expansion, there is an increasing likelihood that a period of sustained increasing inflation has begun.

The next CFNAI will be released:

February 21, 2012

8:30 am Eastern Time

7:30 am Central Time

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Chicago Fed National Activity Index

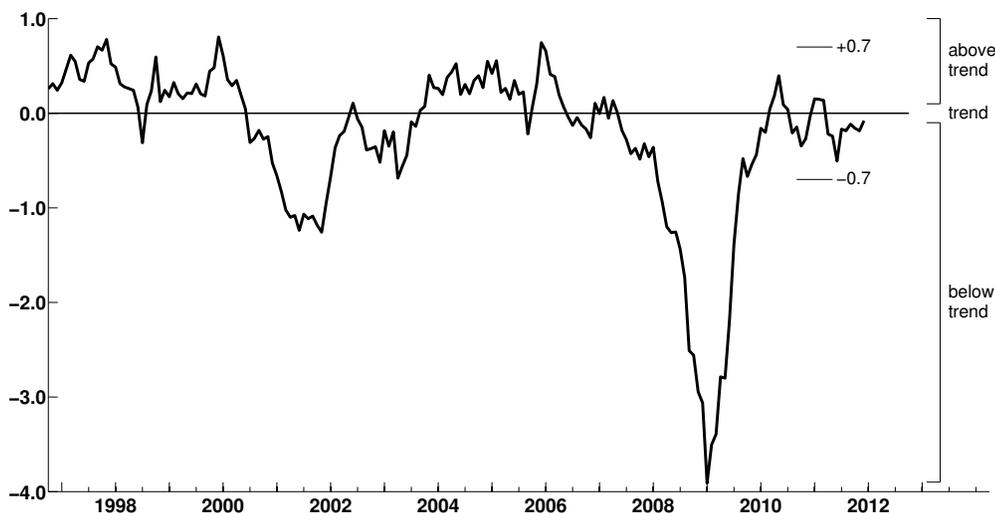
Index shows economic activity improved in December

Led by improvements in production- and employment-related indicators, the Chicago Fed National Activity Index increased to $+0.17$ in December from -0.46 in November. Two of the four broad categories of indicators that make up the index improved from November, and only the consumption and housing category's contribution remained negative in December.

The index's three-month moving average, CFNAI-MA3, increased from -0.19 in November to -0.08 in December—its highest value since March 2011. December's CFNAI-MA3 suggests that growth in national economic activity was slightly below its historical trend. The economic slack reflected in this level of the CFNAI-MA3 suggests limited inflationary pressure from economic activity over the coming year.

The contribution from production-related indicators to the index rose sharply to $+0.24$ in December from -0.28 in November. Industrial production increased 0.4 percent in December after edging down 0.3 percent in the previous month. Similarly, manufacturing production rose by 0.9 percent in December after declining by 0.4 percent in November, and manufacturing capacity utilization increased to 75.9 percent in December from 75.3 percent in the previous month.

Chicago Fed National Activity Index, Three-Month Moving Average (CFNAI-MA3)



CFNAI and CFNAI-MA3 for the latest six months and year-ago month

| | Dec '11 | Nov '11 | Oct '11 | Sep '11 | Aug '11 | Jul '11 | Dec '10 |
|------------------|---------|---------|---------|---------|---------|---------|---------|
| CFNAI | | | | | | | |
| Current | +0.17 | -0.46 | +0.04 | -0.15 | -0.37 | +0.17 | +0.46 |
| Previous | N/A | -0.37 | -0.11 | -0.24 | -0.38 | +0.20 | +0.45 |
| CFNAI-MA3 | | | | | | | |
| Current | -0.08 | -0.19 | -0.16 | -0.12 | -0.19 | -0.17 | -0.03 |
| Previous | N/A | -0.24 | -0.24 | -0.14 | -0.19 | -0.18 | -0.03 |

Current and Previous values reflect index values as of the January 26, 2012, release and December 22, 2011, release, respectively. N/A indicates not applicable.

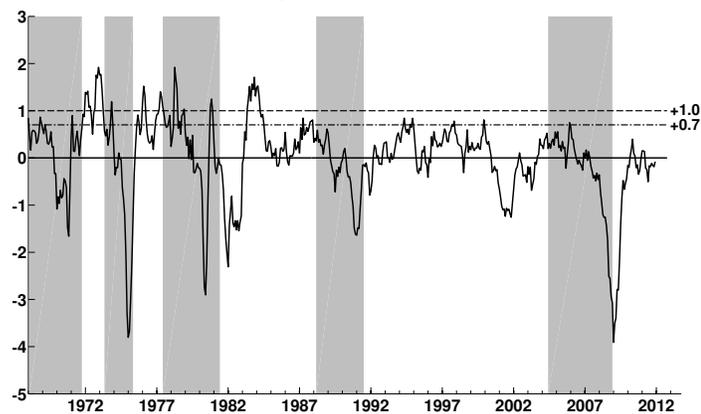
The employment-related indicators' contribution to the index was +0.22 in December, up from +0.08 in November. The unemployment rate decreased from 8.7 percent in November to 8.5 percent in December. Likewise, over the same period, the monthly average of weekly initial claims for unemployment insurance fell from 395,000 to 375,000—its lowest level since May 2008.

The sales, orders, and inventories category made a contribution of +0.01 to the index in December, remaining level from November. In contrast, the contribution from the consumption and housing category to the index was -0.29 in December, down slightly from -0.27 in November. Housing starts decreased to 657,000 annualized units in December from 685,000 in November, and housing permits ticked down to 679,000 annualized units from 680,000 over the same period.

Fifty-three of the 85 individual indicators made positive contributions to the index in December, while 32 made negative contributions. Fifty-six indicators improved from November to December, while 27 indicators deteriorated and two were unchanged. Of the indicators that improved, 11 made negative contributions. The index was constructed using data available as of January 19, 2012. At that time, December data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

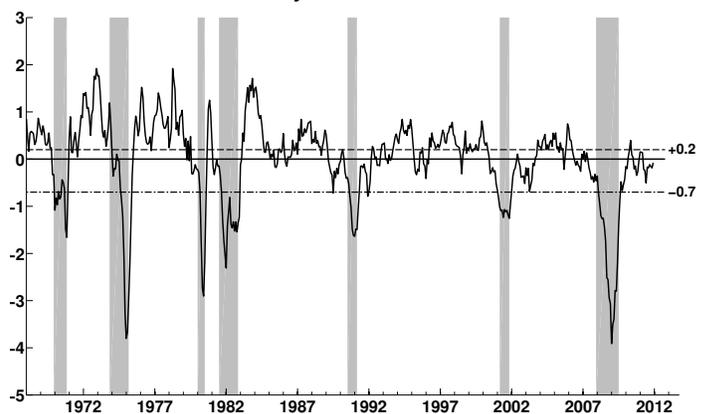
The November monthly index was revised to -0.46 from an initial estimate of -0.37. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision to the November monthly index was due primarily to the former.

CFNAI-MA3 and Inflation Cycles



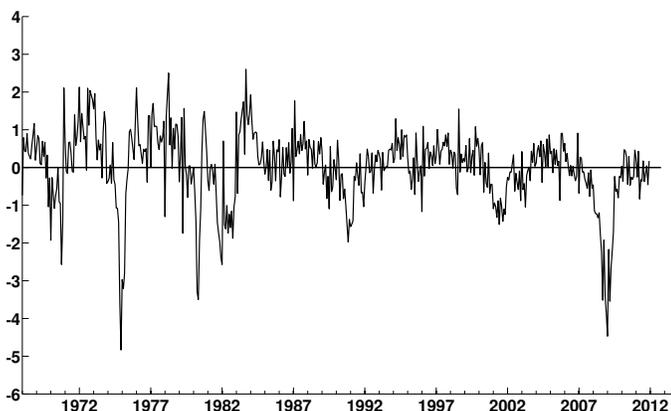
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic expansion indicates a substantial likelihood that a period of sustained increasing inflation has begun.

CFNAI-MA3 and Business Cycles



Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research. A CFNAI-MA3 value below -0.70 following a period of economic expansion indicates an increasing likelihood that a recession has begun. A CFNAI-MA3 value above -0.70 following a period of economic contraction indicates an increasing likelihood that a recession has ended. A CFNAI-MA3 value above +0.20 following a period of economic contraction indicates a significant likelihood that a recession has ended.

CFNAI, Monthly Index



2012 CFNAI Release Dates

| <i>Date of Release</i> | <i>Monthly Data for</i> |
|---------------------------|-------------------------|
| February 21, 2012 | January 2012 |
| March 26, 2012 | February 2012 |
| April 26, 2012 | March 2012 |
| May 21, 2012 | April 2012 |
| June 25, 2012 | May 2012 |
| July 23, 2012 | June 2012 |
| August 20, 2012 | July 2012 |
| September 24, 2012 | August 2012 |
| October 25, 2012 | September 2012 |
| November 26, 2012 | October 2012 |
| December 21, 2012 | November 2012 |